TOKYO GAZETTE

A MONTHLY REPORT OF CURRENT POLICIES, OFFICIAL STATEMENTS AND STATISTICS

CONTENTS

THE NATIONAL SCHOOL SYSTEM 327
(*Department of Education*)

BUDGET ESTIMATE FOR THE 1940–41 FISCAL YEAR 333
(*Department of Finance*)

THE 75TH SESSION OF THE IMPERIAL DIET 342
—Ministerial Addresses of February 1, 1940—

DOCUMENTS CONCERNING THE ASAMA MARU CASE 356

1. Statement of the Foreign Office Spokesman, Dated January 22, 1940
2. Explanation of Mr. Hachiro Arita, Minister for Foreign Affairs, made before the Imperial Diet on February 6, 1940
3. Note of Sir Robert Craigie, British Ambassador in Tokyo, to Mr. Hachiro Arita, Minister for Foreign Affairs, Dated January 27, 1940
4. Note of Mr. Hachiro Arita, Minister for Foreign Affairs, to Sir Robert Craigie, British Ambassador in Tokyo, Dated February 1, 1940
5. Note of Sir Robert Craigie, British Ambassador in Tokyo, to Mr. Hachiro Arita, Minister for Foreign Affairs, Dated February 5, 1940

CONCERNING THE EXPIRATION OF THE JAPANESE-AMERICAN COMMERCIAL TREATY 367
—Statement of the Foreign Office Spokesman, January 26, 1940—

ORDINANCES AND A TREATY RECENTLY PROMULGATED 369
(*Secretariate of the Cabinet*)

THE SITUATION IN CHINA 371

1. Results of the Military Operations in the 12 Months following the Fall of Hankow
(*Bureau of Information, War Department*)
2. Activities of the Imperial Naval Air Force 374
(*Publicity Bureau, Navy Department*)

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The material in the TOKYO GAZETTE is selected mainly from the *Weekly Report*, edited by the same Bureau. The accuracy and comprehensiveness of data presented in the *Report* are fully established. For the benefit of students of Japanese affairs, the TOKYO GAZETTE is endeavouring to maintain these qualities in the hope that its publication will eliminate unfortunate misunderstandings and thus contribute to world peace and international goodwill.

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THE NATIONAL SCHOOL SYSTEM

—A Reform of Primary Education—

DEPARTMENT OF EDUCATION

IT was in 1937 that the Government instituted the Educational Council to work out measures for a reform of national education in view of the progress of civilization and changes in the general state of things both internal and external—a move made in deference to an Imperial Edict graciously granted for that special purpose. After careful investigation and discussion, the Council drafted new programmes for the National School, Normal School, and Kindergarten, and submitted them to the Prime Minister in December, 1938. These programmes have been examined by the Department of Education which found after due deliberation that the reform of primary education was of primordial importance. It was decided, therefore, to reorganize the existing elementary schools into "national schools" in accordance with the Council's recommendations. The Government is expected to make necessary preparations for the new system this year and enforce it in the 1941–42 school year.

The aim of the National School System is to effect expansion and improvement of primary education and to lay the foundation of a new educational system in Japan. In order to give the rising generation a more thorough basic training as Japanese subjects and make them the vital force behind future national development, the term of compulsory education will be prolonged from 6 to 8 years. The inculcation of the principles on which the Japanese Empire has been founded will be made the principal object of primary education, and for this purpose, uplifting of national spirit, development of intellectual faculties, and elevation of the physical standard will be promoted by carrying out improvements in the quality of education and securing correlation of teaching matter. In a word, the proposed system aims at making the future generation robust enough in mind and body to augment the national strength and display the spirit and ideals of the Japanese nation which has as an end the bringing of the world together into one happy family.

Outline of the National School System

1. The elementary school will be reorganized into the national

school with the following revisions :

(*a*) The course of primary education will last eight years and will be compulsory. Parents or guardians will be placed under obligation to have their children or wards attend a national school between the ages of 6 and 14.

(*b*) The curriculum of the national school is to be divided into two courses, the Elementary and the Higher, extending over 6 and 2 years respectively. According to the local conditions prevailing, a national school may adopt only one of the courses. It shall then be called the elementary national school or the higher national school as the case may be.

2. The national school will give the growing generation basic training as Japanese subjects, laying stress on these fundamentals :

(*a*) Cultivation of the principles on which the Japanese Empire has been founded.

(*b*) Avoidance of the choice of conflicting subjects ; unification and practical application of knowledge ; harmonization of mental and physical training.

(*c*) Bringing of education into closer relationship with national life ; avoiding of uniformity of education, particularly in the Higher course which is to be adapted as much as possible to the actual conditions of each locality.

(*d*) Improvement in teaching matter in keeping with the advance of culture ; readjustment and arrangement of subjects and teaching matter according to the mental and physical development of children so as to make the national school a complete and consistent organ of compulsory education.

As primary education should be extended to all members of the younger generation with the object of giving them basic training in citizenship, a thorough innovation has been decided upon both as to designation and quality of the education to be imparted ; hence the renaming of the Elementary School as the National School.

Extension of the Length of Compulsory Education

As already stated, the course of study in the national school is to extend over eight years. This means a prolongation of the term of compulsory education by two years. Necessity for this has long been recognized and need hardly be dwelt on here, but as it forms one of the important considerations that influenced the reform of primary education, some of the main reasons will be set forth below.

The first concerns the importance of education in the earlier stages of adolescence. The ages of 13 and 14 are the period of transition from childhood to youth. As the environment, discipline and culture during this period profoundly affect the mind and body

of the child, often changing the whole course of its life, children at these ages should be given adequate guidance and methodical care and training under well-equipped educational facilities. Thus may they be fully developed in physique, moral character and intellectual faculties and be enabled to take an active part in various fields of national activity, particularly in national defence and industrial development.

Secondly, primary education cannot be thoroughly improved in quality unless the length of its course be extended to eight years. This is of greatest urgency to keep pace with the growth of the nation and to eliminate such drawbacks as the placing of undue emphasis upon intellectual culture whilst neglecting character-building. But a six-year course is too short a one in which to overcome such defects. In order to promote the healthy development of children, therefore, the course should be prolonged by another two years, with a rearrangement of the subjects of instruction and an adaptation of the teaching matter to their growth and faculty of understanding.

The third reason arises from the standpoint of equal opportunity in education and social policy. Out of the 1,593,000 school-children who finished the ordinary elementary course in March, 1938, about 1,333,000, or over 83 per cent, went to higher elementary schools or middle schools and the remaining 260,000, or about 16 per cent, were employed in various kinds of labour or found occupation in their homes. Poor in culture and physically underdeveloped, their lot is socially a very unhappy and disadvantageous one. It is true that as the course of the Young Men's School has been made compulsory during the 1939–40 scholastic year, greater advantages than before have been provided. But the Young Men's School is purely an establishment for continuative studies by working people and, therefore, cannot satisfactorily replace an institution conceived in the purpose of true education. In order to assure the advantages of regular education to the less favoured, it has been necessary to prolong the term of compulsory education.

In the heavy industry and other war industries, not to speak of the military and naval arsenals, young workers are not given employment, even as apprentices, unless they are graduates of higher elementary schools as it has been found that those who have not reached this standard are lacking in basic training. Even in the textile industry, which has hitherto been engaging girl operatives with only ordinary elementary school training, graduates of the higher elementary school are now preferred. Owing to the growing demand for the better educated youth, the number of those who

advance from the ordinary elementary school to the higher has recently shown a remarkable increase. The figures as at the end of March, 1938, were 591,000 for boys and 448,000 for girls, or 72.7 and 57.6 per cent respectively of the graduations from the ordinary elementary schools. This shows the importance attached to the education of children of 13 and 14 years of age. It is desirable therefore that the eight-year course of compulsory education be put into force as early as possible. But owing to circumstances such as the compilation of new textbooks and financial considerations, it is to be first enforced in the case of children finishing the elementary national school in March, 1944, that is, those who are now in the second year of the ordinary elementary school course.

Courses of the National School

As stated elsewhere, the national school is to have an elementary course (6 years) and a higher course (2 years); but depending upon local conditions it may have only one of the two courses. This division will leave the character of the national elementary school somewhat similar to that of the ordinary elementary school now in existence, and the graduates of the former shall be admissible to the middle school in the same way that the graduates of the ordinary elementary school are at present. It must be remembered, though, that the ordinary elementary course in the old system is complete in itself, the higher elementary course being but an educational adjunct; while the eight-year course of the national school forms a consistent curriculum. The division into the elementary and higher courses is based upon the consideration that at about the age of 12, children enter the earlier period of adolescence when a new stage in their mental and physical development is reached. Furthermore, it is the time when attention should be paid to their future careers and, for those who can afford it, to enter the middle school.

Curriculum of the National School

It need hardly be said that fundamentally education in Japan rests upon the cultivation of the basic principles set forth in the Imperial Rescript on Education. But in the past, even in primary education, these principles cannot be said to have been fully carried out owing to the effects of certain phases of Western culture introduced since the Meiji Era. So the whole system of education in the national school will be centred upon the application of these principles and in giving the rising generation basic training as Japanese subjects.

Hitherto, the curriculum of the elementary school comprised more than ten separate subjects of instruction, which tended to make for disunity and want of coordination. In the national school, the subjects will be unified into a small number of principal lessons designed as a whole to exalt national spirit, develop the capacity for scientific pursuits, elevate the physical standard and refine sentiments ; while stress will be laid on training and the consistency of knowledge and action. It will thus be seen that the elementary and the higher courses of the national school will have four and five main lessons respectively, each comprising subjects closely related to one another.

The Elementary Course

National Culture : Morals (including etiquette), national language, national history, and geography.
Science and Mathematics : arithmetic, mathematics and science.
Physical Exercise : martial arts and gymnastics (including military drill, sports, games, and hygiene).
Arts and Crafts : music, penmanship, drawing, manual work, and sewing (for girls only).

The Higher Course

National Culture : morals (including etiquette), national language, national history, and geography.
Business and Industry : one or more subjects on agriculture, engineering, commerce, and marine products industry.
Science and Mathematics : arithmetic, mathematics, and science.
Physical Exercise : martial arts, and gymnastics (including military drill, sports, games, and hygiene).
Arts and Crafts : music, drawing, manual work ; and (for girls only) housekeeping and sewing.

In order to avoid detachment of education from everyday life, emphasis will be laid on making education as practical as possible and bringing it into closer relation with national life. In particular, in the higher course, efforts will be directed to practical training for business and industry : suitable instruction, varying according to the actual needs of each locality, will be given in agriculture, commerce, engineering, and the marine products industry. To the teaching matter will be added the inculcation of knowledge deemed necessary in connection with the national development, in its relation to East Asia, the world, the country's defence, etc. With the extension of the length of compulsory education, the subjects of instruction and

teaching matter will be readjusted and rearranged according to the mental and physical development of children, so as to make the eight-year course of the national school effective in the fullest measure. With the introduction of the new system the textbooks will require a thorough revision. But as it is practically impossible to renew all of them at one time, those for the first and second years of the elementary course will be prepared in the 1940-41 scholastic year, to be followed by those for the higher classes in the years to come.

BUDGET ESTIMATES FOR THE 1940–41 FISCAL YEAR

DEPARTMENT OF FINANCE

WHEN the new Cabinet was formed under the leadership of Admiral Yonai during the new year recess of the Imperial Diet, public interest was aroused, in no small measure, as to how matters concerning the budget estimates would be disposed of. The Yonai Cabinet, however, lost no time in deciding to adopt the estimates drafted by its predecessor, the Abe Cabinet, after thorough examination and study, and to introduce them to the Diet. The 1940–41 estimates now being deliberated on, therefore, are those decided on by the Abe Cabinet, in respect to the General Expenditures, on December 8, 1939, and in respect to the Emergency Military Expenditures, on January 6, 1940.

In presenting an outline of the 1940–41 budget estimates, however, the 3rd supplementary budget for the Special Account for Emergency Military Expenditures will also be taken up from time to time, since it is inseparably related to the general budget.

Principles Adopted in Compiling the Budget

The principles on which the budget for the next fiscal year was formulated was originally established by the Hiranuma Cabinet, on July 4, 1939. When the Abe Cabinet succeeded to that of Baron Hiranuma, it was decided to adhere to the same principles, the major points of which are as follows:

1. In respect to demands for appropriations to cover new undertakings, special attention shall be paid to the selection of items so as to limit such demands only to those that are really essential and urgent in view of the current situation. At the same time, the size of the appropriations to meet such demands shall be kept to the minimum.

2. A close re-examination shall be made of the appropriations intended to cover undertakings already authorized, with a view to exercising further economies by such means as the lowering of standards, the increasing of efficiency, and the postponement of new enterprises.

3. Particular care shall be taken for the maintenance of harmony with the various economic policies concerning materials, labour,

funds and prices, lest the operation of the wartime economy be hampered.

4. The taxation system shall be revised with the object of increasing tax receipts, while at the same time efforts shall be made to obtain more revenue from other ordinary items. Further, means shall be devised for transferring as much as is feasible from the various special accounts to the Special Account for Emergency Military Expenditures or the General account.

5. Statements of the budget estimates of all the Departments shall be submitted to the Department of Finance not later than August 10, 1939, in the case of the General Account and by August 31, the same year, in the case of the special accounts.

Briefly, principles adopted in compiling the 1940–41 estimates have been to aim at (1) increase in ordinary revenue, and (2) at curtailment of expenditures, with a view to working out the most adequate wartime budget. Another important point to be noted is that the Department of Finance, deliberating on the estimates for the General Account, had always to take them up along with the requirements of the Emergency Militaty Expenditures, in order to get a comprehensive picture of the supply and demand of materials and other related matters. The procedure for drafting the 1940–41 estimates was naturally very complicated; but the fact that the Cabinet was able to render a decision on this matter with such smoothness and dispatch, was a source of gratification to the authorities concerned.

Estimates for the General Account

The following is an outline of the 1940–41 budget which was formed under the circumstances described above.

The 1940–41 budget estimates for the General Account are as follows:

(In 1,000 yen)

		Revenue	Expenditures
Ordinary		3,345,116	2,662,709
Extraordinary		2,477,845	3,160,253
Normal revenue	731,667		
Receipts from the issue of public loans	1,671,177		
Surplus brought forward from the previous fiscal year	75,000		
Total		5,822,962	5,822,962

A comparison of the 1940–41 estimates with the expenditures as included in the budget for the preceding fiscal year is given below:

COMPARISON BETWEEN ESTIMATES FOR THE 1940–41 AND 1939–40 EXPENDITURES

(In 1,000 yen)

	1940–41	1939–40	Increase
Ordinary	2,662,708	2,069,479	593,229
Extraordinary	3,160,252	2,735,063	425,189
Total	5,822,961	4,804,543	1,018,418

The following table shows the figures for the 1940–41 expenditures classified according to Departments :

(In 1,000 yen)

Departments	Ordinary	Extraordinary	Total
Imperial Household	4,500	—	4,500
Foreign Affairs	23,605	40,474	64,079
Home	336,860	173,954	510,815
Finance	1,097,925	724,311	1,822,236
War	182,019	1,092,761	1,274,781
Navy	351,298	677,646	1,028,945
Justice	51,536	5,565	57,101
Education	159,121	27,540	186,662
Agriculture and Forestry	62,035	148,397	210,433
Commerce and Industry	9,412	80,526	89,939
Communications	297,174	70,057	367,232
Overseas	2,950	52,893	55,843
Welfare	84,267	66,123	150,391
Total	2,662,709	3,160,253	5,822,962

Important new items of the 1940–41 expenditures are enumerated below :

(In 1,000 yen)

Expenses relative to the repletion of armaments	970,390
Expenses relative to the aid and protection of men in the fighting services	89,776
Expenses relative to the expansion of productive power	114,146
Expenses relative to economic control	26,431
Expenses relative to the promotion of foreign trade	16,468
Expenses relative to the promotion of shipping	11,774
Expenses relative to the encouragement of civil aviation	15,980
Expenses relative to the settlers in Manchuria	35,848

In addition to the afore-mentioned items, a Special Account for Taxes to be Allocated to Local Governments and Municipalities as revenue has been created to replace the Special Grants to Local Finances which will be abolished when a reform of the local taxation system is carried out. The taxes to be allocated to local

governments and municipalities, excepting those collected direct, in the said Special Account, are to be transferred from the General Account to the Special Account. Accordingly, a sum of 277,355,000 yen has been included in the general expenditures.

Again, a total of 600,000,000 yen out of the estimated increases in tax receipts on the basis of the taxation reform carried out since the 1938–39 fiscal year and in estimated profits to be gained by the Monopoly Bureau by the raising of tobacco prices, etc. has been earmarked for transfer to the Special Account for Emergency Military Expenditures. The two items of transfer referred to above, namely those relating to taxes to be allocated to prefectures and municipalities and those relating to emergency military expenditures, are both what may be termed transit accounts. If these are excluded, total expenditures will come to 4,945,606,000 yen instead of 5,822,962,000 yen.

Much effort has also been directed toward curtailing expenditures previously authorized for various undertakings. Accordingly, such undertakings as require key commodities will be deferred wherever possible, to say nothing of non-essential and non-urgent undertakings, besides the lowering of standards and devising other means of retrenchment.

For purposes of comparison, the estimated revenues of the 1940–41 budget are itemized and shown side by side with the corresponding figures of the previous year:

(In 1,000 yen)

Sources	1940–41 Estimated Revenue	Revenue In 1939–40 Budget	Increase or Decrease
Ordinary:			
Taxes	2,589,900	1,948,314	+ 641,585
Stamp receipts	107,088	90,732	+ 16,356
Receipts from Government enterprises and property	453,998	371,977	+ 82,020
Contributed from the Special Account of Communications Services	81,500	81,500	——
Contributed from the Bank of Japan	27,425	15,676	+ 11,749
Miscellaneous receipts	77,763	65,287	+ 12,476
Transferred from the Special Account of Funds for Educational Improvement and for promotion of farm villages	7,439	6,926	+ 512
Total ordinary revenues	3,345,116	2,580,415	+ 764,701

Extraordinary:			
Extra Profit Tax	557,463	297,313	+ 260,150
Proceeds of sales of Government property	8,937	7,192	+ 1,745
Contributed from public bodies to expenses for public works	7,548	7,288	+ 259
Shares of public bodies in expenses for public works	11,957	9,049	+ 2,907
Receipts in Encouragement Fund for Scientific Research	25	33	— 8
Transferred from Special Accounts	8,071	7,955	+ 116
Contributed by insurance companies	3,352	3,352	——
Receipts in Compensation Funds	3,888	5,584	— 1,695
Receipts in ordinary sources from Special Accounts	6,700	6,700	——
Miscellaneous receipts	123,722	67,765	+ 55,957
Receipts from the issue of public loans	1,671,177	1,727,732	— 56,554
Surplus brought forward from the previous fiscal year	75,000	84,160	— 9,160
Total extraordinary revenues	2,477,845	2,224,127	+ 253,717
Total revenues	5,822,962	4,804,543	+1,018,418

As is clear from the foregoing table, the greater part of the estimated increases of normal revenue is accounted for by an estimated increase in tax receipts, an increase which is based on the proposed taxation reform. It should be noticed in this connection, that the proposed taxation reform is to realize the equitable distribution of the tax burden, to try to harmonize the taxation system with the various economic measures to be carried out by the Government, and to plan for an increase in tax receipts, as well as to render the tax system as elastic and as simple as possible. The following figures represent an increase or decrease in the estimated receipts from various taxes for the 1940–41 fiscal year:

ESTIMATED INCREASE OR DECREASE IN 1940–41 RECEIPTS FROM TAXES

(In 1,000 yen)

Income tax	+220,703
Tax on juridical persons	+264,871
Special tax on juridical persons	+ 313
Land tax	— 45,244

Business profit tax	— 90,510
Interest tax on capital	— 42,723
Capital tax on juridical persons	— 15,407
Special tax on dividend and interest	+ 20,123
Tax on dividend	— 46,764
Interest tax on public bonds and company debentures	— 1,436
Special tax on foreign currency bonds	+ 9,388
Inheritance tax	+ 1,384
Mining tax	— 4,145
Saké tax	+ 83,134
Tax on soft drinks	+ 2,143
Sugar excise	+ 20,474
Textile consumption tax	+ 10,071
Tax on volatile oil	+ 11,746
Commodity tax	— 28,952
Tax on entertainments, food and drink	+ 53,778
Exchange tax	+ 3,943
Transit duty	+ 7,233
Admittance tax	+ 6,878
Extra profit tax	+ 86,514
Total	+527,519

In addition, the taxation reform is to bring about an estimated increase of 581,000 yen in stamp receipts. Furthermore, receipts from taxes coming under the Special Account for Taxes to be Allocated to Local Governments and Municipalities are estimated at 76,565,000 yen, including 25,990,000 in land tax, 50,575,000 in business tax, 20,078,000 in business tax on juridical persons and 30,496,000 in business tax on individuals. Thus, these increased tax receipts are estimated to reach 604,665,000 yen.

The major increases in the normal revenue other than receipts from taxes are revenue derivable from such Government enterprises and property as state forests and the profits accruing to the Monopoly Bureau.

The following table shows the public bond issues to be assigned as sources of revenue to meet the estimates for the 1940–41 expenditures :

PUBLIC BOND ISSUES

(In 1,000 yen)

Earthquake Reconstruction Bonds	2,515
Highway Bonds	13,669
Deficit Bonds	1,654,993
Total	1,671,177

Special Accounts

There are 42 special accounts now in operation, including the Special Account for Emergency Military Expenditures and the Special Account for Emergency War Materials Funds. In the 1940–41 fiscal year, this number is to be increased to 47 by the creation of the following special accounts: Government Investments, Army Aeronautical Arsenal Funds, Health Insurance for Salaried People, Seamen's Insurance, and Taxes to be Allocated to Local Governments and Municipalities. The more important Special Accounts, together with their revenue and expenditures are tabulated below:

(In 1,000 yen)

	Ordinary	Extraordinary	Total
Government-General of Chosen:			
Revenue	550,728	287,058	837,786
Expenditure	418,678	419,107	837,786
Government-General of Taiwan:			
Revenue	214,793	45,736	260,530
Expenditure	157,240	103,289	260,530
Bureau of the Kwantung Leased Territory:			
Revenue	27,836	28,882	56,719
Expenditure	25,835	30,884	56,719
Government of Karafuto:			
Revenue	54,930	2,965	57,895
Expenditure	27,932	29,713	57,645
Government of the South Sea Islands:			
Revenue	12,771	454	13,225
Expenditure	5,770	7,455	13,225
Imperial Railways: (Capital account)			
Revenue	—	—	355,259
Expenditure	—	—	355,259
Communications Services: (Capital account)			
Revenue	—	—	83,006
Expenditure	—	—	83,006

The estimates for the various special accounts were also drawn up on the same principles as those governing the formulation of the estimates for the General Account. The following table shows the amounts to be transferred from the various special accounts to the Special Account for Emergency Military Expenditures in the 1940–41 fiscal year:

(In 1,000 yen)

Transferred from the Special Account of	
Government-General of Chosen	50,481
Government-General of Taiwan	23,362
Bureau of the Kwantung Leased Territory	12,960
Government of Karafuto	6,776
Imperial Railways	50,000
Communications Services	17,000
Total	160,581

The above figures represent an increase of 33,148,000 yen when compared with the previous fiscal year. As in the 1939–40 fiscal year, a sum of 700,000 yen is to be transferred from the Special Account for the Government of the South Sea Islands to the General Account. The issues of public bonds as included in the various Special Accounts for the 1940–41 fiscal year are shown below:

(In 1,000 yen)

Special Accounts	
Government-General of Chosen	199,500
Government-General of Taiwan	6,000
Imperial Railways	62,000
Communications Services	20,000
Government Investments	150,299
Total	437,799

Emergency Military Expenditures

Lastly, the revenue and expenditures in the third supplementary budget for the Special Account for Emergency Military Expenditures are as follows :

(In 1,000 yen)

Expenditures :	
Emergency Military Expenditures for the Army	2,973,000
Emergency Expenditures for the Navy	737,000
Reserves	750,000
Total expenditures	4,460,000
Revenue :	
Receipts from the issue of public bonds	3,673,872
Transferred from other accounts	760,581
Others	25,545
Total revenue	4,460,000

The item " transferred from other accounts " comprises 600,000,000 yen transferred from the General Account and 160,581,000 yen

transferred from Special Accounts. The item " receipts from the issue of public bonds " represents the amount to be raised by the issuance of China Affair Bonds during the 1940–41 fiscal year. When the bonb issues in the General Account amounting to 1,671,-177,000 yen and those in the various special accounts amounting to 437,799,000 yen are included, the aggregate bond issues scheduled for the 1940–41 fiscal year comes to 5,782,850,000 yen, a decrease of 142,620,000 yen, when compared with the previous fiscal year.

The estimates for the third supplementary budget for the Special Account for Emergency Military Expenditures and those for the General Account add up to 10,282,962,000 yen. If, however, the transit accounts, amounting to 877,355,000 yen, are deducted, the sum total will be 9,405,606,000 yen.

THE 75TH SESSION OF THE IMPERIAL DIET

—Ministerial Addresses of February 1, 1940—

ADDRESS OF ADMIRAL MITSUMASA YONAI, PRIME MINISTER

I HAVE unexpectedly received, in awe and trepidation, the Imperial Command to assume the office of Prime Minister. My humble and earnest desire is to exert myself to the utmost in order to discharge the grave responsibility of administering the affairs of the State in the unprecedented situation we are now facing. It is a great honour for me to have this opportunity of attending the 75th session of the Imperial Diet and of laying before you the views of the Government.

I am profoundly moved by the gracious Imperial Message granted on the occasion of the opening of the present session of the Diet. I am determined to set His Majesty's heart at ease by joining you gentlemen in single-hearted devotion to the Throne and in obedience to the Imperial Command.

It is now 2,600 years since the Emperor Jimmu ascended the Imperial Throne. Looking up to the high ideals on which our Empire was founded, and, in retrospect at the glorious course of our national history, the whole nation, with one accord, should render loyal and grateful service to guard and preserve the prosperity of the Throne, coeval with Heaven and Earth.

It is time, I am convinced, to clarify more than ever the concept of our national polity; to enhance the spirit in which our Empire is founded, so as to solidify national consciousness. Since a clear and firm conception of national polity is the basis of all national policies, it follows as a matter of course that such clarification of that fundamental concept is an absolute necessity; in particular, it is felt all the more keenly in this 2,600th year of the founding of the Empire and in this grave hour in our history.

Two and a half years have elapsed since the outbreak of the China Affair. Our sincere gratitude goes out to the officers and men of the Imperial forces for their meritorious services and brilliant achievements on all fronts, achievements which are the result of their overcoming of hardships and privations. On the other hand, we mourn from the depths of our hearts those who have laid down their lives for this great cause. To the people at home who, by

their enthusiastic and unfailing labours, have freed our soldiers from the cares and anxieties over those they left behind, we cannot but express our most sincere thanks.

With regard to our basic policy for the settlement of the China Affair, it has already been decided upon and remains unchanged. The Government are determined to dispose of the present situation in accordance with this policy, by taking into consideration every development both here and abroad and by exerting positive efforts in every possible direction.

With the development of the present Affair, there have arisen movements in various parts of China for peace and national salvation, and a new central Chinese Government under the leadership of Mr. Wang Ching-wei is to be established in the not very distant future. Japan is ready to extend whole-hearted support and cooperation for facilitating the formation of the new Government.

The international situation has become today extremely complex, particularly, since last September, when war broke out in Europe. It is by no means easy to foretell the outcome of the conflict. The Japanese Government have already enunciated their intention not to be involved therein but to concentrate their efforts on the settlement of the China Affair; we will continue firmly to adhere to this policy.

In respect to our relations with other Powers, it is our intention to adjust them while steadfastly maintaining a free and independent position. All questions that may arise in connection with the European war will be dealt with accordingly.

In order to fulfil our task of establishing a new order in East Asia in accordance with our convictions, it is imperative that we should mobilize all the resources of the nation for the strengthening of national defence. To that end, the repletion of armaments, the promotion of national spirit, the development of economic strength and the assurance of the livelihood of the people under the emergency must by all means be effected.

That the repletion of armaments is essential for coping with the current international situation needs no elaboration. History shows that, whenever an emergency arises, our national spirit is manifested most emphatically to advance the prestige and bring about the prosperity of the nation. Nor must we be negligent in any way in promoting a loyal and heroic spirit among the home-front population so that national strength may be augmented and given full play. For this purpose, such measures as the fostering of the spirit of piety and of honouring ancestors, the renovation of national education and the improvement of the people's physical

strength are essential. The Government expect to strive energetically for their realization.

In order to develop our economic strength, we must seek not only to expand our productive power and to promote our foreign trade but also to expedite the carrying out of a comprehensive economic programme embracing Japan, Manchoukuo and China. On the other hand, it is necessary for the successful operation of the current wartime economy to take various measures, in keeping with the policy of maintaining low prices, for increased production and proper distribution of goods. The carrying out of these measures necessarily calls forth the united and still greater efforts of the entire nation. In this connection, various measures for economic control must be strengthened and executed smoothly through the cooperation of both Government and people.

The Government will do their utmost to assure the wartime livelihood of the people. As for rice and other necessities of life, we are planning to ensure their production in the required amounts and to adjust means of distribution so as to assure their adequate supply.

However, it is only natural today, when we are engaged in the accomplishment of a stupendous task unparalleled in our history, that the people should be forced to endure curtailment of consumption that might well seem intolerable in normal times. Every member of the nation is therefore asked, fully alive to the significance of the emergency period through which we are passing, to strictly observe the wartime economic morality, to exercise frugality in his or her daily life and be prepared to meet any contingency that may arise.

With regard to the Budget for the 1940-41 fiscal year, the Government have adopted one compiled by the previous Cabinet and are submitting it to you for approval. We have decided to carry out necessary revisions of the system of taxation in all departments, both national and local, with a view to readjusting and consolidating the system in consonance with the financial and economic conditions of the country now in the midst of the long-term construction of a new order in East Asia.

In order to carry out the policies I have announced, the Government must rely on the understanding and support of the people based upon their united and unshakeable convictions. For the accomplishment of the great task of building up a new Asia, it is important that the entire nation should rise as one man, further strengthen their wartime stand and fully manifest their traditional spirit characterized by courageous service in the public weal.

The budgetary and legislative measures submitted to you are

based upon the immediate needs of the day. I earnestly hope you will appreciate the intentions of the Government and give these measures urgent approval after due deliberation.

ADDRESS OF MR. HACHIRO ARITA, MINISTER FOR FOREIGN AFFAIRS

I am particularly glad to have this opportunity of speaking before the Diet on Japan's foreign policy and international relations; for this year marks the 2,600th anniversary of the founding of our Empire.

It is unnecessary to say that the key to Japan's foreign policy lies in the high and broad principles on which our Empire was founded. It aims first at stabilizing East Asia, after which every effort will be made to bring about a peace based upon international justice. In pursuance of this fundamental policy, the Japanese Government are doing everything in their power to settle the China Affair and to adjust international relations from an independent standpoint of their own.

As is well known, our basic policy for the settlement of the China Affair is to join forces with a new China which shall be purged of all anti-Japanese and pro-Comintern influences; to unite with her in the common purpose of establishing a new order in East Asia, and to realize neighbourly amity, common defence against the Comintern and full economic cooperation.

It is a source of profound satisfaction to both countries that the so-called "Peace and National Salvation" movement is now well under way and that a central Chinese Government, under the leadership of Mr. Wang Ching-wei, is to be established in the near future.

With regard to our attitude toward the proposed new government, we intend to continue the declared policy of the previous Cabinet; that is to say, we shall do all in our power to assist its formation and growth since its aims are largely in accord with our own.

In connection with the new order in East Asia, I should like to add that, although there are some who suspect Japan of intention to eliminate the rights and interests of third Powers in China, the Japanese Government, as has been repeatedly enunciated, have absolutely no desire to do away with such rights and interests. We are, in fact, anxious to see the development of China's trade with other Powers, and welcome foreign investments in that country as long as they are of a purely economic character. And that, I am

confident, is also the wish of the new central Government of China about to be established. There will at first, owing to the fact that military operations are still being carried out, perforce be restrictions of one kind or another, but these restrictions will be modified or removed as soon as local conditions are restored to normal.

Manchoukuo, to which our country is bound by a neighbourly and inseparable relationship, having made swift and splendid progress, is now ready to emerge as a great Power of East Asia, a fact which is most gratifying for the cause of general peace and prosperity in this part of the globe.

The Japanese Government have always desired to adjust relations with the U.S.S.R. and so contribute toward ensuring the peace of East Asia as a whole. More recently, international feeling between the two countries having taken a turn for the better, we are planning to seek concrete and practical solution of the principal questions now pending, and a consequent general adjustment of Soviet-Japanese relations. With regard to the matter of boundary delimitation, a truce agreement was signed last autumn in connection with the Nomonhan Incident; and, since last December, a temporary Manchoukuo-Mongolia boundary commission, representing the countries concerned, has been set up for the purpose of delimiting the precise boundary line in the disputed areas. The Japanese Government are now negotiating for the early establishment of commissions with a view to delimiting boundaries, not only in the Nomonhan area, but also along the entire frontier between Manchoukuo and Soviet Territory, for the prevention of boundary disputes and for the peaceful solution of all possible international contentions in the bordering territories, so as to bring tranquillity to all sectors of the Manchoukuo-Mongolia and Manchoukuo-Soviet frontiers.

Negotiations for a treaty of commerce between Japan and the U.S.S.R. are now in progress at Moscow, and we are looking to a satisfactory culmination of these negotiations. With regard to the long-pending question of concluding a fishery treaty, it is our intention to settle this matter as soon as possible in accordance with the stipulation provided for in the *modus vivendi* which was concluded in December last. It is hoped that the Soviet Government will cooperate fully with a view to solving these specific questions, and, moreover, that they will cease interfering with our concession industries in North Saghalien, amend their policy of supporting the anti-Japanese regime in China and collaborate in securing the peace of East Asia as a whole.

Japan's relations with Germany and Italy have grown increasingly cordial ever since the conclusion of the Anti-Comintern Agree-

ment. Our nation is profoundly grateful to the Governments and peoples of those countries for the sympathy and support they have extended to Japan since the beginning of the China Affair. Our policy of defence against the Comintern remains unaltered. We will, moreover, continue to cultivate, in accordance with that policy, our intimate relations with all the signatory Powers of the Anti-Comintern Agreement.

Since the beginning of the China Affair, the Japanese Government have done all in their power to bring the British Government to a proper appreciation of the realities of the situation. More recently we have attempted to solve the Tientsin question and to effect a general adjustment of Anglo-Japanese relations. It is most unfortunate that on January 21 a British man-of-war searched a Japanese ship, the *Asama Maru* and seized 21 of the German passengers on board. In view of the unprecedented fact that this incident occurred in our home waters, it is deeply regretted by our Government as well as by the entire nation. Negotiations are now in progress with the British authorities and we are doing our utmost to arrive at a satisfactory settlement.

On July 26 last year, the United States Government suddenly gave notice of their intention to abrogate the Treaty of Commerce and Navigation, which had been for 30 years, since 1911, a pledge of friendship between Japan and America. The reason which prompted the American Government to take this step is believed to be that by so doing it would serve in the solution of the various questions which have arisen between Japan and America in connection with the China Affair. We endeavoured, therefore, to conclude a new treaty, or at least to prevent the advent of a treatyless situation, by making the American Government understand more thoroughly the attitude and aims of Japan. Unfortunately, the commercial relations between the two countries have nevertheless fallen into a treatyless status since January 26 this year. On the other hand, in December, the American Government took measures of an internal nature to accord to Japanese ships and goods, after the lapse of the treaty, the same treatment as before; they further declared their intention to make no change in the treatment of Japanese subjects residing in or entering the United States as so-called "treaty merchants." Thus, despite the treatyless situation, Japanese-American trade relations have in practice undergone no change.

Although the policy of the Japanese Government in the present China Affair is not to eliminate the legitimate rights and interests of the United States and other third Powers, but on the contrary, to

invite their active participation in the construction of a new order in East Asia, it is inevitable that the trade and other economic activities of these Powers should be affected at times by military operations which are being conducted on so vast a scale. In these circumstances our Government have resorted to all possible means to protect the rights and interests of third Powers, while our military forces have frequently endured even strategic disadvantages on that account. Moreover, we are making it a point to give due consideration to damages suffered by third Power nationals in consequence of our military operations. I firmly believe that with the establishment and development of the new order, America will come to realize the absence of a desire on our part for either exclusion or monopoly in both economic and commercial fields. A treatyless situation, which deprives trade of stability and makes relations in general difficult, is not desirable for either Japan or America. We propose to exert further efforts in the confident hope that Japanese-American relations will be restored to a normal status, that is to say, on a treaty basis.

With regard to the South Seas regions, the Japanese Government are desirous of maintaining with them a relationship of co-existence and common prosperity through economic cooperation and collaboration in the development of natural resources. We intend to put forth every effort along this line toward enhancing the existing close relations between Japan and those regions.

Under the prevailing conditions, Japan must do her utmost for the promotion of her export trade and the assurance of the supply of necessary goods. Various organs concerned with trade are doing everything in their power to realize these purposes by maintaining close coordination among themselves. Economic cooperation with all other countries is being expedited by removing obstacles of trade, developing new markets, strengthening economic cooperation between Japan, Manchoukuo and China, concluding trade agreements on the principles of reciprocity and compensation, and in various other ways.

There are many countries with which we are conducting trade negotiations. The United States of America, and the Soviet Union I have already mentioned; but included among them are France, Italy, India, and the various countries of Central and South America.

Since the outbreak of the European war, it has been noted that not only are there many instances in which the economic policies adopted by the belligerent Powers tend to obstruct our importation of essential goods or to interfere with the development of our

export trade, but also that some of these measures, exceeding belligerent rights recognized under international law, are destructive of the freedom of trade and the freedom of the seas. The Government have, therefore, presented vigorous protests to the Powers concerned, and are taking other appropriate steps for the protection of our trade rights.

On the outbreak of the European war in September last, the Japanese Government made known, both at home and abroad, our intention not to be involved in that conflict but to concentrate our endeavours on a settlement of the China Affair. The Government have since strictly adhered to this non-involvement policy. It is believed, however, that the present war is destined to bring about drastic changes in the general situation of Europe regardless of how it may end; consequently, its effects on the settlement of the China Affair and the stabilization of East Asia are likely to be far-reaching. The Government, while watching the development of the war with grave concern, are, however, determined to take appropriate steps to meet any changes in the situation.

International peace fails to be maintained for various reasons. But after all, is this not largely due to the fact that some nations insist upon trying to maintain the irrational and unjust international *status quo* relative to race, religion, territory, resources, trade, immigration and other matters by adopting exclusionist policies, or by the abusing of certain advantages their superior positions give them? A real world peace, based on justice, cannot, therefore, be expected to prevail unless and until these causes are thoroughly examined and the root of the evil eliminated; after which all countries would be enabled to find each its proper place in the family of nations.

Now that in Europe also a growing demand is heard for a new order, while steady progress is being made in East Asia for its realization, it seems that a rare opportunity is afforded mankind for self-examination. At such a time as this we feel more keenly than ever the importance of the ethical aspect of diplomacy. With this conviction the Japanese Government have hitherto devoted their efforts toward the establishment of a peace based on justice. I hope, then, that our nation, with united and inflexible determination, will go forward to establish a new order in East Asia and will contribute thereby to the happiness and welfare of all mankind.

ADDRESS OF MR. YUKIO SAKURAUCHI, MINISTER OF FINANCE

I consider it a great honour to receive unexpectedly the Imperial Command to assume the important office of Minister of Finance and to explain

to you, in that capacity, the outline of the budget for the 1940-41 fiscal year as well as the current economic conditions of the country.

In order to accomplish the great task of establishing a new order in East Asia in conformity with our immutable policy in dealing with the China affair, it is necessary for the nation, in complete unison, to make every possible effort toward the ensuring of an efficient operation of our financial and economic system. It is to be particularly noted, in this connection, that the international situation, which culminated in the current European conflict, has been very complex and intricate and that its developments are not merely difficult to foresee but may have no small effect upon our economic and financial structure. To cope with this state of things, therefore, we must closely follow such developments and take appropriate and effective measures accordingly.

Financial and economic policies of Japan, in these circumstances, should aim primarily at the repletion of national defence and the fostering of national strength, at the same time ensuring stability of the livelihood of the people so that there may be no obstacles in the way of undertaking the necessary home-front activities.

For the realization of these basic policies, it is most essential to bring the entire strength of the nation into full play, to strengthen the national wartime stand, to carry out measures necessary for the expansion of productive power and the promotion of export trade, to successfully execute policies relating to supplying the demand for raw materials, commodity prices and public loans, and to establish a comprehensive programme coordinating the economies of Japan, Manchoukuo and China, thus creating steady and sound conditions in our economic life.

With respect to the budget estimates for 1940, the Government have decided to introduce to the Diet those formulated by the preceding Cabinet. Certain additional estimates, however, are expected to be submitted later for really urgent and unavoidable expenditures.

The self-balanced, estimated revenue and expenditure for the 1940-41 fiscal year total in round figures 5,822,000,000 yen, representing an increase of 1,018,000,000 yen over the preceding fiscal year.

To explain the estimated revenues, they may be recapitulated roughly into three categories: Taxes and other ordinary revenues representing 4,076,000,000 yen; surplus brought forward from the preceding fiscal year, 75,000,000 yen; and receipts from bond issues, 1,671,000,000 yen.

When compared with the corresponding estimates for the last fiscal year, we note a rise of 1,084,000,000 yen coming chiefly from an additional 901,000,000 yen in the tax receipts. Of the latter sum 527,000,000 yen represents a gain through the proposed revision of the taxation system and 374,000,000 yen a natural increase. Other gains are 83,000,000 yen derived from profits of Government monopolies and 25,000,000 yen from incomes of State-owned forests.

In drafting the budget for the General Account, the requirements of the Emergency Military Expenditures have been constantly kept in mind and every possible endeavour has been made to economize on expenditure, all the while studying most carefully the relations between materials, capital and labour, placing primary importance upon the attainment of the ultimate

purpose of the China Affair. Acting on this principle, the initiation, strengthening and expansion of various measures and undertakings deemed absolutely essential under the current emergency have been provided for and those items representing non-urgent projects eliminated. Economy has also been exercised in the continuation of undertakings already authorized. Besides the allocation of 970,000,000 yen in connection with the repletion of national defence, the new appropriations include 89,000,000 yen to cover expenses for soldiers' aid, 140,000,000 yen for expansion of productive power, 26,000,000 yen inconnection with economic control, 16,000,000, 11,000,000 and 15,000,000 yen for promotion of foreign trade, shipping and civilian aviation respectively, while 35,000,000 yen are to cover the costs of settling colonists in Manchoukuo.

On the other hand, a sum of 627,000,000 yen was saved by either reducing or deferring expenses in connection with previously authorized undertakings and through reduction of expenditure relating to the dispatching of military and naval forces to China.

The Government have decided to abolish the temporary grants to the local governments which have been in force since the 1937–38 fiscal year, as the proposed reform of the taxation system is realized. Instead of the grants, the Government have formulated a system under which certain new taxes are to be created, and the receipts allocated to the local governments and municipalities. To take care of this the Government are to set up a Special Account. Moreover, the Government will disburse 277,000,000 yen in favour of the local governments and municipalities from the General Account.

Reference should also be made here to the transfer of 600,000,000 yen to the Special Account of Emergency Military Expenditures, which amount represents estimated increases in receipts from the taxation reform and profits from government monopolies. The deduction of this amount and the 277,000,000 yen mentioned above from the estimated annual expenditure leaves the net total of the budget at 4,945,000,000 yen.

Deficits for the 1940–41 fiscal year will be met by bond issues, comprising 2,000,000 yen of 1923 Earthquake Reconstruction Bonds, 13,000,000 yen Highway Bonds and 1,654,000,000 yen Red-Ink Bonds. There will be no issue of Manchurian Incident Bonds as the Special Account in this connection has been abolished in view of the restoration of peace and order in Manchoukuo.

With respect to special accounts, the same principles governing the compilation of the General Account has been applied to their drafting. The estimates for the Special Accounts for Chosen, Taiwan, the Leased Territory of Kwantung, Karafuto and the South Sea Islands have, however, been increased over those of the preceding fiscal year. The estimated additional zevenue can be accounted for by the increase in tax yields, including those resulting from the taxation reform. While on this subject, I want to call your attention to the fact that a sum of 50,000,000 yen has been transferred from the Special Account of the Government-General of Korea to the Special Account of Emergency Military Expenditures; 23,000,000 yen from the Special Account of the Government of Formosa; 12,000,000 yen from that of the Bureau of the Kwantung Leased Territory; 50,000,000

yen from that of the Imperial Railways and 17,000,000 yen from that of Communications Enterprises. These, in round figures, total 160,000,000 yen, or some 33,000,000 yen more than in the preceding fiscal year.

The full bond issue is estimated at 437,000,000 yen, of which 199,000,000 yen will be to the Special Account of the Government-General of Korea, 6,000,000 yen to the Government of Formosa, 62,000,000 yen to the Imperial Railways, 20,000,000 yen to Communications Enterprises, and 150,000,000 yen reserved to Government Investments.

The total amount of the Special Account of Extraordinary Military Expenditures for the next fiscal year is estimated at 4,460,000,000 yen, of which 2,973,000,000 yen is for the Army, 737,000,000 yen for the Navy and 750,000,000 yen destined to the Reserve Fund.

The sources of revenue to cover these extraordinary expenditures are: 600,000,000 yen to be transferred from the General Account, 160,000,000 yen from various special accounts, 25,000,000 yen from donations and miscellaneous receipts and 3,673,000,000 yen from public loans. The last item, together with the bond issues of 1,671,000,000 yen on the General Account and 437,000,000 yen on various special accounts, means that the Government will have to issue nearly 5,782,000,000 yen of new bonds during the 1940–41 financial year, a decrease of 142,000,000 yen when compared with the corresponding figure under the 1939–40 budget.

The reform of the existing national and local taxation systems has been a long-pending question. The present programme aims at equalizing the burdens borne by the people, at harmonizing the relation between the taxation system and urgent economic measures, at increasing tax receipts, and at setting up a more flexible mode of operation. Particulars of the reform programme, however, will be fully explained when the bills concerned are presented for your deliberation. With regard to increases through the proposed reform, they will amount in respect of the national tax to 814,000,000 yen in a normal year but to only 604,000,000 yen for the initial year, these figures including the estimated tax receipts to be allocated to Local Governments and Municipalities. As the taxation reform entails, on the other hand, an increase in the amount to be remitted to local finances, the net increases to the Treasury are estimated at 550,000,000 yen and 373,000,000 yen respectively for the normal and the initial years. Revision made in sales prices of tobacco in November last may be mentioned in this connection. Through this measure approximately 60,000,000 yen will be added to this source of revenue in the coming fiscal year.

Before I conclude, I want to briefly review the general conditions of our economic position under the China Affair.

The money market under the current emergency has gradually become busy, reflecting increasingly brisk economic activities; calmness has characterized the situation, however, capital having in general been smoothly accumulated and absorbed. Government payments have reached enormous sums, but there has been a considerable return of funds thanks to the progress of the savings encouragement campaign and other related measures.

The amount of bank deposits registered a remarkable increase of 5,974,000,000 yen, while postal savings deposits also expanded by 1,199,000,000 yen during the year 1939.

There was a stringent tone in the short-term money market and money rates advanced somewhat on account of greater demands for capital caused by the promotion of exports in connection with the European conflict; however, the year-end witnessed an appreciable calmness. The market for loan flotations was very active during 1939, with the volume of fresh debentures totalling 2,121,000,000 yen, which is unusually large.

The national bond issues during the last fiscal year amounted then to 5,261,000,000 yen, of which 4,700,000,000 yen, or 89 per cent, has been assimilated. There was some reduction in the rate of bond assimilation during the ltter half of the year under review because of the activity in the debenture market, increased bank loans and a brisk demand for funds. When the condition is viewed for the whole of the year, however, the percentage of absorption is quite high and satisfactory.

As has been stated, the estimated bond issues during the 1940–41 fiscal year will represent a considerable sum, and the necessity for its smooth assimilation will become increasingly important. The Government are prepared to take every possible step to effect this by mobilizing all the capital funds at their disposal including the resources of the Treasury Deposit Bureau, and by adjustment of private funds. Most essential, however, is the appreciation on the part of all members of the nation of the import of the current emergency, based on which they will exercise frugality and increase savings, thereby rendering possible the increase of the capacity of bond assimilation. Availing myself of this occasion I should like to call their attention to the necessity and importance of their cooperation in this great task.

Adjustment in the demand and supply of capital held by private interests has been conducted in accordance with the Temporary Capital Adjustment Law, and the result has been on the whole satisfactory; the amount of capital invested in enterprises last year aggregated 4,214,000,000 yen, all of which has been used for purposes of expansion of productive power, and such investments which were deemed most necessary. The public bonds issued hereafter will continue to reach a considerable amount, and as the exercise of greater care appears to be necessary in regulating the relations between capital and production, it becomes imperative on the part of the Government to take stricter measures to adjust the demand to the supply of capital. It was in accordance with this requirement that steps were taken at the end of last year for controlling the advance of working capital by the banking institutions, while strengthening control in the operation of the Temporary Capital Adjustment Law.

The next point to be noted is the fact that the amount of convertible notes issued of late has been considerably increased. Last year they averaged 2,376,000,000 yen, or 450,000,000 yen more than in the previous year. The trend of increase in the note issue has become more marked since thel atter half of last year, reaching a peak of 3,817,000,000 yen at the end of December 1939. Since the commencement of the present year, however, the withdrawal of notes has been going on smoothly.

The increase of the note issue, which has been due to the expansion of productive power, greater movement of commodities and change in method of transaction, cannot be avoided to a certain extent today when the scale

of economic activities has been enlarged. However, as the immoderate inflation of notes in circulation should be checked as much as possible, the Government are prepared to take steps accordingly. For this purpose, general economy in consumption and promotion of savings will be encouraged again more than ever, regulation of capital funds and adjustment of prices will be enforced, and other necessary measures taken. But without the sincere cooperation of the people such an object will not be attained.

Commodity prices have been rising since the outbreak of the China affair, and various measures had been taken to check the upward movement. However, with the outbreak of the second European War in September last, a further trend in this direction has been feared. The Government, therefore, have been compelled to invoke the National General Mobilization Law as an emergency measure, and to issue Imperial Ordinances for the control of prices as well as salaries and wages. In the application of this law and of the ordinances, utmost care has been taken to ensure the smooth supply of commodities in accordance with the low-price policy. Particularly, in the matter of daily necessaries, the Government will spare no effort to take appropriate measures to eradicate the feeling of uncertainty in the life of the people. It is an earnest desire that the entire nation, recognizing the importance of the problem of prices in wartime, should cooperate with the Government toward the full realization of their policy.

Foreign trade during the last year resulted in 3,932,000,000 yen in exports and 3,127,000,000 yen in imports, excess of exports over imports amounting to no less than 805,000,000 yen. As compared with the previous year, exports gained 35 per cent and imports about 10 per cent, the favourable balance being increased by approximately 745,000,000 yen. The figures thus show a remarkable improvement of trade. The improvement comes mostly from the increase of exports to Manchoukuo and China. In the trade with other foreign countries, exports amounted to 1,850,000,000 yen in value, which is an improvement of 20 per cent over the previous year ; nevertheless, excess of imports amounted to 456,000,000 yen. Such being the case, we are called to make further efforts for the promotion of our foreign exports. On the other hand, increased production of gold is urgent in order to expand the importing capacity ; the collection of gold held by the people should be more thoroughly carried out in this connection. The Government expect to adopt appropriate measures for the purpose.

With respect to the rate of foreign exchange, the value of the yen, as is well known, had been based on British currency at the rate of 1 shilling 2 pence until October last, when a shift was made to the United States currency and the rate pegged at 23-7/16 cents. Thus the international value of the yen, the stability of which is most important not only in trade relations but also in keeping prices steady, has become subject to the least possible fluctuation. To maintain the value, various measures will be taken to support the balance of international accounts.

To establish a relation of mutual assistance is the fundamental policy behind the construction of a new order in East Asia. It is most satisfactory, therefore, to know that Manchoukuo is doing all it can to promote industrial expansion based on a comprehensive plan embracing the three countries Japan, Manchoukuo and China, and to augment economic power with a

view to realizing cooperation with Japan. In China, industrial development is well on the way in accordance with the same policy and plan.

Since the occurrence of the China Affair, our national economy has been confronted with an unprecedented situation.Thanks to the combined efforts of the Government and people, it has carried on its operation quite smoothly in all its phases. But in order to rightly settle the China Affair, on the one hand, and secure a firm footing on the ground of international competition, on the other, all the members of the nation must be prepared to go through any and whatever hardships that may be demanded of them. Without this determination, the great task of accomplishing the establishment of the new order in East Asia will not succeed.

In conclusion, I earnestly wish you will give speedy approval to the budget submitted to you.

DOCUMENTS CONCERNING THE ASAMA MARU CASE

1. STATEMENT OF THE FOREIGN OFFICE SPOKESMAN, DATED JANUARY 22, 1940

With regard to the visit made to the Japanese liner "Asama Maru" by a British man-of-war off the coast of Boso Peninsula yesterday afternoon (January 21), the Vice-Minister for Foreign Affairs, Mr. Masayuki Tani, invited British Ambassador Sir Robert Craigie to the Foreign Office at 11 : 00 p.m. today and presented to him the following views and protest of the Japanese Government.

1. On the 21st of January, at 12 : 50 p.m., a British warship ordered the Japanese vessel"Asama Maru", which was on her return voyage to Yokohama from Honolulu, to heave to at a point thirty-five nautical miles off Nojimasaki Point, Chiba Prefecture. The Japanese vessel, therefore, came to a stop at 12 : 54 p.m. at a point 34°34′ North Latitude and 140°31′ East Longitude. Thereupon the said British warship sent an officer and several seamen to the "Asama Maru," and, claiming that it was acting in accordance with international law and without explaining reasons for its action in detail and even without revealing its name, demanded delivery of twenty-one German passengers. The captain of the "Asama Maru" refused the demand, but he was unable to prevent the British warship from taking a forcible measure for removing the said German passengers.

2. It must be fully known to the British Government that the Japanese Government have adhered to the principle in accordance with the generally accepted usage that those nationals of one billigerent Power aboard a neutral vessel whose delivery the other belligerent may demand on the high seas must be limited to those actually embodied in the armed forces. But nevertheless a British warship has taken the above-mentioned forcible measure against a Japanese vessel in the waters near Japan. The Japanese Government cannot but regard such British action as a serious, unfriendly act against Japan, and therefore they attach the greatest importance to the affair.

3. The Japanese Government cannot acquiesce in the measure taken by the British Navy regarding which they demand the British Government to give them a full and valid explanation promptly. The Japanese Government hereby explicitly reserve in advance the right to demand delivery to them of the detained Germans.

4. In view of the fact that the British action has already given a great shock to public opinion in Japan, repetition of such an action in future would aggravate all the more the sentiment of the Japanese nation against Great Britain. From the broad viewpoint of the future relations between Japan and Great Britain the Japanese Government request the British Government to pay their serious consideration to the matter.

2. EXPLANATION OF MR. HACHIRO ARITA, MINISTER FOR FOREIGN AFFAIRS, MADE BEFORE THE IMPERIAL DIET ON FEBRUARY 6, 1940

On February 1, in a supplementary remark to my address on Japan's foreign policy, I gave an outline of our negotiations with the British Government concerning the " Asama Maru " case. Since then we carried on in earnest our negotiations with a view to effecting a speedy settlement of the case. As a result, although we have not yet arrived at a complete settlement, we have reached an important stage in that direction. I desire to avail myself of this occasion to report on the progress so far achieved.

As I have already stated, the reply of the British Government to our protest of January 22 was transmitted to us through Ambassador Craigie in Tokio under the date of January 27. In their note the British Government expressed their great regret at the occurrence of the incident so near our capital which aroused such profound indignation of our nation, and at the same time dwelt at length on their legal opinions of the case.

To this British note we replied under date of February 1 that we took note with pleasure that the British Government, giving serious consideration to the fact that the incident had aroused public feeling in Japan, expressed their regret. At the same time we made a detailed refutation of the British views from the legal standpoint, and requested for the return of the twenty-one Germans taken out of the " Asama Maru ", because we could not but arrive at the conclusion that the action of the British man-of-war was illegal under international law.

As regards the divergence of views between the two Governments, all its details will be made available in the official notes to be published this afternoon. However, to give a resumé of the matter, the British Government place an interpretation of their own on Article 47 of the Declaration of London, stipulating the category of enemy nationals who may be removed from a neutral ship engaged in peaceful navigation on the high seas, and, moreover, they contend that the said Declaration of London has no binding authority whatever, as it has not been ratified by the signatory Powers. The practice to remove enemy nationals from a neutral ship engaged in peaceful navigation is, the British Government claim, an established principle in international law. But according to the views of the Japanese Government, it is clear from the related documents concerning the Declaration of London that Article 47 should not be construed as it is interpreted by the British Government. Again, although the said Declaration has not been ratified, it is considered as constituting rational adjustments and compromises between various principles regarding naval warfare, and it has been incorporated in the internal laws of many countries. In the light of this fact, we believe that the Declaration of London should be regarded to serve as a criterion in the Law of Nations. Furthermore, if we were to assume that the Declaration is totally invalid as is contended by the British Government, the alternative would rather be that we should observe the general principle that no enemy nationals shall be taken out of a neutral ship engaged in peaceful navigation on the high seas. In brief, the British views have no

foundation either in academic doctrines or in precedents for convincing us of their validity.

The Japanese Government maintain resolutely the above-stated views from the legal standpoint. But apart from the legalistic arguments, our Government, with a view to facilitating an early settlement of the case from political considerations, urged upon the British Government more than once the importance to the Anglo-Japanese relations of the release by the British of the Germans in their hands as soon as possible. We asked the British Government for sincere reconsideration and endeavoured to achieve our objective. As a result, the British Government in a note under date of February 5 communicated to us that they could not alter their views but as an earnest of the British Government's desire to settle the case amicably, they were prepared, while reserving all their legal rights concerning the case, to deliver to the proper Japanese authorities at such time and place as may be agreed upon hereafter nine of the Germans in retention on the grounds that investigations as to their training and antecedents have disclosed the fact that some are relatively unsuitable for military service than others.

The Japanese Government appreciate the desire of the British Government to effect a speedy and amicable settlement of the case. However, the number of men to be returned being only a portion of those demanded by us we are by no means satisfied. Therefore, although we intend to take over the said nine men, it is our intention to continue, in accordance with our above-mentioned views, to insist upon the delivery by the British Government of the rest of the Germans in retention.

As for the future the Government have decided, in order to eliminate uneasiness on the part of Japanese vessels in navigation hereafter, to issue instructions to various Japanese shipping companies not to allow the persons who are embodied in the armed forces of the belligerent Powers (including those who are suspected as such) to take passage on board their vessels, and the necessary steps therefor have been completed. The attention of the British Government has been called to the measures above stated. The circumstances being such, it is my firm belief that in the future the occurrence of an incident similar to that of the " Asama Maru " will be prevented.

3. NOTE OF SIR ROBERT CRAIGIE, BRITISH AMBASSADOR IN TOKYO, TO MR. HACHIRO ARITA, MINISTER FOR FOREIGN AFFAIRS, DATED JANUARY 27, 1940

Your Excellency,

I have the honour, under the instructions of His Majesty's Principal Secretary of State for Foreign Affairs, to refer to the Memorandum handed to me by His Excellency the Vice-Minister for Foreign Affairs on January 22nd regarding the case of the " Asama Maru."

2. In that Memorandum the Imperial Japanese Government state that they cannot but regard the action of His Majesty's Government in the United Kingdom as a serious unfriendly act against Japan and therefore they attach the greatest importance to the affair. His Majesty's Government profoundly regret the interpretation put upon their action by the Imperial

Japanese Government and avail themselves of this opportunity to state that there was no unfriendly action whatsoever in the exercise of their right as a belligerent to stop and search neutral shipping at sea. The exercise of this right does not in the view of His Majesty's Government imply any slight upon the honour or national dignity of the neutral State involved and this has been amply demonstrated in the present and in preceding wars. The fact that the stoppage of the " Asama Maru " took place where it did was dictated solely by the necessities of the particular situation. His Majesty's Government greatly regret, however, that the present incident, occurring as it did so close to the capital, should have aroused such profound resentment in Japan.

3. The facts of this case are as follows.

His Majesty's Government in the United Kingdom are aware that the German Government are making an organized attempt to secure the return to Germany of German mercantile marine officers and men from America. So anxious are the German Government to obtain the service of these men that they are being dispatched by the long and expensive route across the Pacific via Japan and Siberia. It will not be suggested that the German Government would have devoted part of their scanty supplies of foreign exchange to so expensive an operation if the object of the return of these men was not to enable their services to be employed for military operations. As almost the entire German mercantile fleet is laid up in port it is obvious that the object with which the German Government have arranged the journey of these men cannot have been that they should be employed in merchant ships and that they are intended for service in the German Navy, for which their special training, particularly in the case of officers and technical ratings, renders them particularly suitable. His Majesty's Government are aware of at least four parties of these men who were due to leave America in this way almost simultaneously. The first of these parties consisted of one, about 50 in number, which sailed on the " Asama Maru." This ship was as stated in the Japanese Memorandum, stopped on the high seas by a British man-of-war and, of the 50 Germans on board, 13 officers and 8 technical ratings were removed ; the remainder, who though trained seamen did not possess the special qualifications of the officers and technical ratings, were allowed to proceed on their voyage.

4. It is this action of which the Imperial Japanese Government contest the legality. They do not, as His Majesty's Government understand their position, dispute the legitimacy of the exercise of the right of visit and search by a belligerent warship on the high seas ; they do not dispute that certain categories of enemy nationals may legitimately be removed from a neutral vessel, but they contend that the persons removed in the present case do not fall within the categories in question. This is accordingly the only legal issue between the two Governments to which the present case give rise.

5. Paragraph 2 of the Japanese Memorandum states that " The Imperial Government in accordance with the universally recognised usage have adhered to the principle that the subjects of one belligerent Power, whose delivery a second belligerent Power may demand on the high seas, are restricted to those actually embodied in the armed forces." The Japanese

Memorandum does not quote any authority to support what is stated to be the " universally recognised usage " but when handing the Memorandum to me His Excellency the Vice-Minister for Foreign Affairs stated that Article 47 of the Declaration of London constituted the basis for the Japanese Prize instructions.

6. The Declaration of London never having come into force is not binding on any State and cannot be relied on against His Majesty's Government as an authority. But in any case it cannot be argued that Article 47 of the Declaration is the origin of the right to remove enemy nationals from neutral ships. Leaving out of account cases in which the carriage of enemy nationals by a neutral ship renders the ship liable to capture and condemnation, there has existed for centuries a practice of taking enemy nationals out of a neutral ship without Prize proceedings being taken. That this is so is shown by the fact that a series of treaties were entered into, beginning in the Seventeenth Century and running on till the middle of the Nineteenth, which provided that enemy nationals should not be removed from neutral ships unless they were, to quote a phrase which occurs in several of these treaties, " military persons and effectively in the service of the enemy." It will not be disputed that the object of these treaties was to limit the exercise of an existing right or practice, not to create a new one, and the basis of the practice and of its limitation by the treaties in question was clearly the right of a belligerent to remove individuals the object of whose voyage was to take their place in the enemy ranks, the case of the carriage of an actual detachment of enemy forces being already covered by the right to capture the ship in such a case. At the time when the phrase quoted above was first adopted in the treaties in question, European wars were fought by comparatively small armies of professional soldiers and in such circumstances the phrase in question was perfectly apt as a definition of the category of persons who might reasonably be removed. But under modern conditions, where conscription laws impose a liability to military or naval service on all able-bodied males, it is obvious that a right to remove " military persons " would be illusory if it did not cover individuals who, though not on the peacetime strength of their country's armed forces, are under a legal liability to serve and are actually on their way to take their place in the ranks. Such persons are precisely those who are likely to be found travelling on neutral ships in time of war and it would be impossible to justify a suggestion that, if there be found on a neutral ship two enemy males of military age, both of whom are travelling to their country in order to take their place in its armed forces, one can be removed because he is on the peacetime strength and the other cannot because he is a reservist.

7. The question whether persons who, being under a legal liability to serve, are returning to their country to perform that obligation are technically " effectively in the service of the enemy " or " incorporés dans la force armée de l'ennemi " (the phrase employed in the Declaration of London) may depend on the terms of the conscription law of the country concerned, which in itself is sufficient to show how artificial is in this connection any distinction between such persons and members of the peacetime strength. But it can hardly be seriously contended that the mere fact that such persons may not have actually joined the corps to which they are to belong carries the conclu-

sion that they are not in the military service of the enemy, and the suggestion that they are not within the category of persons who may be removed from a neutral ship seems to result entirely from the interpretation which has been placed in some quarters on the terms of Article 47 of the Declaration of London. The report on the Declaration states that the phrase " incorporés dans la force armée de l'ennemi " in Article 45 (which provided for the condemnation of a vessel which was on a voyage specially undertaken with a view to the transport of individuals so embodied) should not be regarded as covering reservists, and the same interpretation has in consequence been placed on the phrase in Article 47. The report states, however, that this interpretation was adopted in connexion with Article 45 " in a spirit of conciliation," which shows that it was not regarded as representing an already existing rule, and the reasons which actuated this compromise in the case of Article 45 are not applicable to Article 47. But in any case Article 47 is not a binding authority and if interpreted in the above sense would, as shown above, produce unreasonable and illogical results. Apart from this interpretation of Article 47 His Majesty's Government are aware of no authority for the proposition that persons in this position do not fall into the category of enemy nationals who may be removed from a neutral ship.

8. His Majesty's Government conclude therefore that, assuming that a right to remove enemy nationals from neutral ships exists at all (all this is not disputed by the Imperial Japanese Government), it must include persons returning to their own country for the purpose of fulfilling the obligation of military service which is imposed upon them by law. This contention is strongly supported by the practice in the war of 1914–18. Except for a short period at the beginning of that war persons returning to join the colours were regularly removed from neutral ships without objection being seriously taken on grounds of law. There were some cases where persons so removed were subsequently released but in such cases there were special circumstances such as the acquisition of a neutral nationality by the person concerned. In these circumstances His Majesty's Government can only regard the right to remove persons in this position as being definitely established by law and precedent and they may point out that this is the view taken by that great American authority Dr. Hyde (International Law, Volume 2, page 640).

9. There is in any case no doubt as to the view of the German Government on the point. Article 77 of the German Prize Ordinance of 1939 provides as follows; (1) The passengers in captured vessels must be released. (2) The following are excepted: (i) Members of the enemy armed forces; (ii) persons who are making the voyage in order to put themselves in the service of the enemy armed forces; (iii) Agents of the enemy. It is clear therefore that the German Government regard persons who " are making the voyage in order to put themselves in the service of the enemy armed forces " as in precisely the same position as " members of the enemy armed forces " and if the Imperial Japanese Government take a contrary view about the Germans now in question they are making a claim which the German Government could not make for themselves. The Imperial Japanese Government can hardly expect such a claim to be admitted by His Majesty's Government in existing circumstances. I may add that the practice of the German

Government in the present war has gone even beyond the provisions of their Prize Ordinance. Not only have they removed Poles of military age from neutral vessels in the Baltic, but they have removed from a Swedish ship and still hold in captivity British fishermen who had been picked up after the destruction of their boat by the German forces, although the fact that the men concerned were engaged in innocent fishing is sufficient evidence that they were not on their way to join the armed forces. The Imperial Japanese Government will not expect His Majesty's Government to be bound by a supposed rule which is denied and disregarded by their enemy.

10. It remains to consider the position of the particular Germans who were removed from the " Asama Maru." As to their liability to military service under German law there is no doubt. Under Article 1 of the German Defence Law of May 21st, 1935 " Every German man is liable to compulsory military service," while under Article 4 compulsory military service lasts from the end of the 18th year to the end of the 45th year and under Article 6 this period can be extended in war and in special emergencies by the Reich War Minister. There are moreover special provisions relating to seamen. Paragraph 4 of the " Ordinance for the Supervision of Military Service " of November 24th 1935 provides special registration duties for seafaring men as soon as their employment on a ship ceases, and they have to obtain instructions as to what they shall then do from " the armed forces recruiting office." Service on a ship is regarded as equivalent to the half-yearly inspection and instruction of all reservists held by the military authorities, and both in peace and wartime it lies with the German Reich to decide in the case of every seaman whether after the age of 18 he joins the Navy or the Merchant Marine and whether he subsequently remains in the one service or the other. Such being the liability to military service of all German nationals of military age, it is impossible—and particularly so in the case of seamen—to draw any valid distinction between those who have actually joined a particular unit and those who are in the course of a journey undertaken in pursuance of a legal duty to join such a unit.

11. As I have explained above the special aptitude of the men now in question for naval service, and the remarkable efforts made by the German Government to secure their return to Germany, give every reason to believe that they were intended for service in the German Navy. Some of the Germans in question form part of the engineroom staff of tankers, and their special knowledge of the diesel engine renders it practically certain that they would be employed for submarine service, in which case in the event of their succeeding in returning to Germany they would take part in the illegal activities of that service which have caused so much loss to neutral countries. Indeed in modern warfare it may well be that persons such as the individuals now in question with special and technical qualifications, although not actually employed in the armed forces of the State in time of peace, possess considerably higher military value in time of war than ordinary members of the peacetime strength. Although, as stated above, the number of German trained seamen on the " Asama Maru " was about 50, only 21 were removed, of whom 13 were officers and 8 were technical ratings possessing special qualifications. Accordingly His Majesty's Government did not in fact exercise to the fullest extent the rights which they can claim.

12. Since the outbreak of war not only British lives and shipping but also neutral lives and shipping have been lost as a result of unrestricted submarine warfare by Germany, which is carried out in violation of international law and of agreements to which she is a party, and with a total disregard of the dictates of humanity. His Majesty's Government are determined to put an end to this method of warfare by the means at their disposal and they could not reconcile it with their obligations to their own countrymen, to say nothing of neutral interests, to risk innocent lives and shipping by allowing personnel to reach Germany which can be employed to perpetuate this menace.

13. For the above reasons His Majesty's Government maintain that their action was justified by international law and practice and they are unable to admit that the protest which the Imperial Japanese Government have thought it necessary to make is well founded in law.

I avail myself of this opportunity to renew to Your Excellency the assurance of my highest consideration.

(Sgd.) R. L. CRAIGIE.

4. NOTE OF MR. HACHIRO ARITA, MINISTER FOR FOREIGN AFFAIRS, TO SIR ROBERT CRAIGIE, BRITISH AMBASSADOR IN TOKYO, DATED FEBRUARY 1, 1940

Your Excellency,

I have the honour to acknowledge the receipt of Your Excellency's note of January 27, in which a detailed statement is presented regarding the case of the "Asama Maru."

1. The Japanese Government note with pleasure the statement in the said note that "His Majesty's Government greatly regret, however, that the present incident, occurring as it did so close to the capital, should have aroused such profound resentment in Japan."

2. However, in the same note there are set forth at length by the British Government their legal views concerning the case. My views being basically divergent, I desire to submit the following points for the careful consideration of the British Government.

a) It is stated in the note "The Declaration of London, never having come into force, is not binding on any state and cannot be relied on against His Majesty's Government as an authority. But in any case it cannot be argued that Article 47 of the Declaration is the origin of the right to remove enemy nationals from neutral ships." Then follows an assertion that "there has existed for centuries a practice of taking enemy nationals out of a neutral ship without Prize proceedings being taken." Further on, after referring to certain provisions contained in treaties concluded from the Seventeenth Century to the Nineteenth, the note concludes: "It will not be disputed that the object of these treaties was to limit the exercise of an existing right or practice, not to create a new one, and the basis of the practice and of its limitation by the treaties in question was clearly the right of a belligerent to remove individuals the object of whose voyage was to take their place in the enemy ranks."

It may be gathered from the passages quoted above, that the British

Government maintain it as a principle established by international law that on the high seas enemy nationals may be removed from neutral ships without Prize proceedings being taken. The Japanese Government, it must be pointed out, hold a radically different view on this point. According to the opinion of the Japanese Government, the removal of enemy nationals from a neutral ship engaged in peaceful navigation has been recognized as illegal in the Law of Nations. This claim is substantiated by numerous precedents as well as doctrines in the Law of Nations. This point should be clear in the light of the controversy concerning the " Trent " affair. It may also be pointed out that at the London International Naval Conference of 1908 the British delegates endorsed the above view as being in conformity with British practice. Moreover, the United States Government are also said to adopt the view that even in cases where neutral shipping may be captured under the head of " hostile assistance," " unneutral service," or " transport of contraband persons," enemy nationals cannot be removed on the high seas without Prize proceedings being taken. The same view is plainly set forth in what appear to be British official documents—Lushington's " Manual of Naval Prize Law," of 1866 and 1884 (Paragraph 195) and the old edition of Holland's " Manual of Naval Prize Law," of 1884 (Paragraph 94).

b) Again in the note, the British Government dwell at length on the point whether or not individuals under a legal liability to military service, who are returning to their own country in order to perform that obligation, may be considered as being actually " embodied in the service of the enemy " or " incorporés dans la force armée de l'ennemi." It is stated, as the British Government are aware in the Report on the Declaration of London that the phrase, " embodied in the service of the enemy " contained in Article 45 should not be construed as including reservists, and it was as a compromise at the London International Naval Conference between the rules then in force and the considerations adduced from a legislative standpoint, that the right to remove enemy nationals was limited to those actually embodied in the service of the enemy as mentioned in the said Report. Now there is no room for doubt that this interpretation should apply regarding Article 47 in which the same phrase is employed. The contention advanced in Your Excellency's note that since the said interpretation as regards Article 45 was adopted " in a spirit of conciliation " the reasons which actuated this compromise in the case of Article 45 are not applicable to Article 47, is therefore wholly untenable.

Furthermore, if it is to be claimed, that " in any case Article 47 is not a binding authority," the alternative will be rather to fall back on the general principles of international law and not to recognize the right to remove enemy nationals from neutral ships engaged in peaceful navigation on the high seas. On the other hand, if the principle of the Declaration of London is to be adopted, establishing exceptions from the general rule, a strict and narrow interpretation should be placed on these exceptions, or at least they should not exceed the limits set forth in the said report with reference to Article 45.

c) The Declaration of London failed to come into force as a treaty because Great Britain, the very Power which convoked the London International

Naval Conference, did not and consequently the other Powers did not ratify it. Nevertheless, despite its invalidity as a treaty, it has been regarded as embodying rational adjustments and compromises between various principles regarding naval warfare, and its principles have been incorporated in the internal laws of many countries. Japan's Naval War Rules follow in principle the provisions of that Declaration. The reason why Japan and other countries have come to adopt Article 47 of the Declaration is that they have recognized a certain exception to the general rule that " enemy nationals shall not be removed from neutral ships engaged in peaceful navigation on the high seas." And since an exception should be subject to a strict and narrow interpretation, it is impermissible to extend any interpretation beyond the stipulations of the London International Naval Conference even in the cases where the above exception to the general rule is recognized according to the Declaration of London.

Early in the World War when the British Government insisted upon including reservists among enemy nationals liable to be removed from a neutral ship, they found it necessary to indicate as the specific reason for this the fact that the German forces had begun to hold as captives persons under liability to military service in Belgium and northern France. Does this not suffice to prove that it was not then generally considered as proper under international law to take away persons other than those in the service of the enemy? Under the abnormal circumstances obtaining during the World War, instances of the violation of international law occurred in numerous connections. It must be admitted that instances of illegality regarding the removal of enemy nationals from neutral ships did also occur. But the Japanese Government cannot recognize a claim based upon these occurrences as a right established under international law by virtue of law and precedent.

d) In Your Excellency's note, it is contended that since it is clear that the German Government according to their Prize Ordinance regard " persons who are making the voyage in order to put themselves in the service of the enemy armed forces " as in precisely the same position as " members of the enemy armed forces," the former may be seized. But this contention involves a confusion of two issues—first, whether or not enemy nationals may be taken out of neutral ships engaged in peaceful navigation on the high seas, and secondly whether or not passengers on board a captured ship may be made prisoners after proceedings in a Prize Court. In fact, what is being argued is whether even persons in military service liable to be captured may be taken out of a neutral ship engaged in peaceful navigation on the high seas. The Japanese Government are constrained to call the attention of the British Government to the fact that on this point also the British contention is devoid of substance.

e) Finally, it should be added that the " Asama Maru " was a ship engaged in peaceful navigation with its port of departure in the United States of America and its destination to a port in Japan, both of which countries are neutral; and that in no sense was the vessel engaged in " hostile assistance " nor in " unneutral service," nor in the " transport of contraband persons," and further that concerning the German passengers on board the " Asama Maru," the British Government have not submitted any definite

proof that the 21 persons taken away by the British man-of-war are embodied in the service of the German armed forces.

As has been made clear in the foregoing observations, the Japanese Government cannot but arrive at the conclusion that the action of the British man-of-war in the " Asama Maru " incident was not justifiable under international law. Accordingly the Japanese Government earnestly request of the British Government the return of those 21 German passengers who have been removed from the " Asama Maru."

I avail myself of this opportunity to renew to Your Excellency the assurance of my highest consideration.

(Sgd.) Hachiro Arita
Minister for Foreign Affairs.

5. NOTE OF SIR ROBERT CRAIGIE, BRITISH AMBASSADOR IN TOKYO, TO MR. HACHIRO ARITA, MINISTER FOR FOREIGN AFFAIRS, DATED FEBRUARY 5, 1940

Your Excellency,

I have the honour to acknowledge the receipt of the Note which Your Excellency was good enough to address to me on the 1st February, containing the Japanese Government's observations on my Note of the 27th January, regarding the case of the " Asama Maru."

His Majesty's Government in the United Kingdom are unable to accept the validity of the legal arguments contained in this Note and must once more affirm that they consider themselves to be fully entitled under international law to remove the 21 German officers and ratings from this vessel. His Majesty's Government reserve the right to reply to Your Excellency's Note in due course. In the meantime I have the honour to state that the investigation into the training and antecedents of these men, which has been in progress since their arrival in Hong Kong, has disclosed that some of them are relatively unsuitable for military service. I am glad therefore to be able to inform Your Excellency that, as an earnest of their desire to reach an amicable settlement of this case and while reserving all their legal rights, His Majesty's Government are prepared to release nine of these men who would be handed over to the proper Japanese authorities at a time and place to be agreed upon.

I avail myself of this opportunity to renew to Your Excellency the assurance of my highest consideration.

(Signed) R. L. Craigie.

CONCERNING THE EXPIRATION OF THE JAPANESE-AMERICAN COMMERCIAL TREATY

—Statement of the Foreign Office Spokesman, January 26, 1940—

On July 26, 1939, the Government of the United States of America, through our Ambassador at Washington, communicated to the Japanese Government their desire to abrogate, on a six-months' notice, the Japanese-American Treaty of Commerce and Navigation concluded at Washington on February 21, 1911, for the reason that there were provisions in the said treaty requiring new consideration, and for the purpose that the way might be prepared for such consideration and that the treaty be rendered capable of better safeguarding and promoting American interests as new development might require.

It appears that the abrogation was intended by the American Government to be of service in the solution of various questions arising between Japan and America in connection with the China Affair.

In view of the importance of the complementary and mutually beneficial trade relations between Japan and America, and because Japan's policy in the present China Affair is not aimed at eliminating the just and reasonable interests of third Powers in China, but on the contrary that there are, it is firmly believed, many fields for cooperation between Japan and third Powers in the creation of a new East Asia, the Japanese Government deemed it appropriate to elucidate further their position to the American Government and to seek readjustment of the relations between the two countries. To this end our Government have continued, and are still continuing, to exert great efforts. At the same time they have conducted negotiations regarding a new treaty, or, at least, regarding a measure for preventing the advent of a treatyless situation. While negotiations are still in progress on these matters, unfortunately, no agreement has been reached leaving Japan and America without a treaty from today.

On the other hand, the American Government, in order that Japanese-American trade relations should not unduly suffer, took steps, through decrees issued toward the end of 1939 by the Treasury and the Department of Commerce, to exempt Japanese ships from light dues and from additional tonnage duties and the 10 per cent *ad valorem* discriminatory duties on cargoes brought in by Japanese vessels. The Japanese Government have no intention to discriminate in any way against American goods or vessels, and they have already taken the necessary measure in that regard. Consequently, despite the non-treaty situation, the commercial relations between Japan and America will in practice be subject to no change.

Japanese subjects now residing in, or going to, America in the capacity of the so-called " treaty merchant " are to be treated hereafter by the American Government as temporary visitors. But this is not considered likely to cause any special difficulties.

Though the trade relations between Japan and America, as stated above, will on the whole remain unaltered, a treatyless situation, which renders unstable the relations in general as well as the trade between the two countries, is undesirable for both Japan and America.

It is confidently hoped that through the negotiations that are being continued the Japanese-American relations will be restored to a normal state with a treaty basis.

ORDINANCES AND A TREATY RECENTLY PROMULGATED

SECRETARIATE OF THE CABINET

Ordinance Pertaining to Use and Expropriation of Materials Prescribed under the National Mobilization Law

(Imperial Ordinance No. 838 of December 16, 1939)

With a view to realizing the most effective and intensive use of available materials for the purpose of increasing production of war supplies and other materials, this Ordinance provides for readjusting provisions necessary for use and expropriation of war materials, materials needed for the production and repairing of the former, and other materials required for national general mobilization purposes. The new Ordinance has been brought into effect as from December 20, 1939.

Organization of the Motion Picture Commission

(Imperial Ordinance No. 840 of December 20, 1939)

This Commission has been organized, in accordance with Article 19 of the Motion Picture Law, under the supervision of the Minister for Home Affairs for investigating and deliberating on matters under Article 19, Clause 1, of the said Law submitted by the Minister for Home Affairs, the Minister of Education, or the Minister of Welfare. The Commission is also authorized to advise the Ministers concerned, on matters relating to motion pictures.

Ordinance Pertaining to the Effective Date of the Shipping Union Law

(Imperial Ordinance No. 844 of December 20, 1939)

Ordinance Pertaining to the Operation of the Shipping Union Law

(Imperial Ordinance No. 845 of December 20, 1939)

These Ordinances set December 21, 1939 as the effective date of the Shipping Union Law, and provisions for the operation of the Law are therein set forth.

Ordinance Pertaining to the Effective Date of the Religious Organizations Law

(Imperial Ordinance No. 855 of December 23, 1939)

Ordinance Pertaining to the Operation of the Religious Organizations Law

(Imperial Ordinance No. 856 of December 23, 1939)

April 1, 1935 is set as the effective date of the Religious Organizations Law, and the Ordinance contains provisions for the operation of the Law.

Convention Concerning Amity and Cultural Collaboration between Japan and Hungary

(Treaty No. 7 of December 27, 1939)

With the object of promoting amity and mutual confidence now existing between Japan and Hungary, this Convention concerning amity and cultural cooperation has been concluded and signed by the Plenipotentiaries of the two countries. It went into force on December 30, 1939.

Ordinance Pertaining to Use and Expropriation of Factories and Shops

(Imperial Ordinance No. 901 of December 29, 1939)

In accordance with provisions under Article 13, Clause 1, of the National General Mobilization Law, and with a view to realizing the maximum effective use of existing establishments, for the purpose of increasing production of war supplies and other articles, this Ordinance provides for using and expropriating factories and shops which produce or repair war supplies and other materials within the purview of national general mobilization, and other establishments which may be diverted into such factories or shops, and also for enlisting their operatives to engage in manufacturing patented articles and utility models.

Ordinance Pertaining to Control, Use and Expropriation of Land and Establishments

(Imperial Ordinance No. 902 of December 29, 1939)

This Ordinance provides for controlling, using, and expropriating land, houses and other establishments, for the purpose of increasing the production of war supplies and otherwise achieving the objective of national general mobilization, in accordance with Article 13, Clause 3, of the National General Mobilization Law.

THE SITUATION IN CHINA

I

RESULTS OF THE MILITARY OPERATIONS IN THE 12 MONTHS FOLLOWING THE FALL OF HANKOW

BUREAU OF INFORMATION, WAR DEPARTMENT

The Japanese expeditionary forces in North, Central and South China have achieved remarkable successes in cleaning up remnants of the Chinese troops and guerillas and maintaining peace and order along a fighting line extending over 4,000 kilometres, since the time of the capture in October, 1938, of the three Wuhan cities of Hankow, Wuchang and Hanyang. On December 28, 1939, the Army section of the General Headquarters gave out a communique reviewing the results of the major campaigns in the year following the fall of Hankow.

This may be summarized in the table below :

CAMPAIGN	Number of Chinese troops engaged.	Enemy Losses in Men		Enemy Losses in War Material
		Killed	Wounded	
Hainan	1,000	230	300	2 heavy and 2 light machine-guns, 56 rifles, 4 motor trucks, 3 24-cm. and 1 15-cm. guns.
Anlu (Hupeh Province) ...	10 divisions	1,750	85	
Haichow (Kiangsu Province)	7 divisions	6,117		1,630 rifles, 30 light machine-guns, 6 field guns, 3 trench mortars, 18 trucks.
Nanchang	20 divisions	12,300	2,870	37 trench mortars, 800 horses, 13 trucks, 2,150 rifles, 47 field and mountain-guns.
North Hopei.....	29 divisions	17,500	1,607	2,644 rifles, 1 mountain-gun, 15 trench mortars, 18 heavy and 129 light machine-guns.
Swatow	2,000	660	107	363 rifles, 3 light machine-guns, 1 trench mortar, 15 goods wagons, 1 motor truck.
Luan (Shansi Province)...	136,000	12,700	990	2 mountain-guns, 4 trench mortars, 7 heavy and 34 light machine-guns, 1,534 rifles.
Arms supply route from Hongkong ...	1,000	100	15	8 goods wagons.
North Hunan	400,000	38,400	3,700	4,310 rifles, 6 mountain and 1 rapid-firing gun, 13 trench mortars, 50 heavy and 240 light machine-guns.
Chunghanhsien (Kwantung Province)	2,800	259	10	232 rifles, 1 light machine-gun, 7 trucks, 12 native-made guns.

In the meantime, Chiang Kai-shek launched the so-called April, July and September offensives against our positions with the dual purpose of stimulating Chinese morale and demonstrating to the pro-Chiang foreign Powers that his armies still possessed good fighting spirit and ability. The offensives, however, were no more than large-scale guerilla warfare, and collapsed before vigorous Japanese counter-attacks.

In those three offensives, we engaged Chinese troops numerically 1,114,300 strong. They lost 94,358 dead in addition to 6,704 prisoners. Japanese booty included 7 mountain-guns, 553 native-made guns, 61 mortars, 1 rapid-firer, 37 trench-mortars, 120 heavy machine-guns 322 light machine-guns and 12,148 rifles.

From the beginning of the China affair, the Chinese forces have suffered casualties as follows :

(Investigated In December, 1939)

Period	Dead left on the field
July, 1937 to November, 1938	823,296
December, 1938 to April, 1939	113,049
May, 1939 to November, 1939	282,117
Total	1,218,462*

* N. B. A conservative estimate of all losses of Chinese effectives places the number at about 3,000,000.

BOOTY TAKEN BY JAPANESE FORCES BETWEEN JULY, 1937 AND NOVEMBER, 1939

Items	Number
Heavy, field, cavalry and mountain guns	1,293
Native-made guns	2,785
Trench-mortars	1,425
Rapid-firers	223
Anti-aircraft guns	99
Heavy machine-guns	3,645
Light machine-guns	9,818
Rifles	266,721
Tanks, armoured cars, motor-cars and motor-trucks	692
Armoured trains, locomotives, goods wagons and passenger carriages	2,331
War & other vessels engaged in military operations	185

N. B. Only the major items are listed above. There were besides enormous quantities of ammunition, clothing and other war material.

The Japanese expeditionary forces in North, Central and South China suffered some 27,000 killed up to November, 1939.

Activities of the Military Air Force

A communique, issued on December 29, 1939, by the Army Section of General Headquarters gives the following information on the activities of the military air force :

(1) Our air force shot down 330 Chinese planes and destroyed another 160 on the ground since the outbreak of the China affair.

In the latter half of 1939, the Japanese military raiders have practically gone unchallenged by the enemy.

No official information was available up to time of going to press as to the results of the joint attacks by the Army and Navy air forces on Lanchow, capital of Kansu Province, on December 26, 27 and 28, 1939.

(2) In the Nomonhan incident, the Japanese military air force brought down 1,340 Soviet planes and destroyed another 520 on the ground.

(3) The Japanese military air force has lost 188 planes since the beginning of the China affair.

THE SITUATION IN CHINA

II

ACTIVITIES OF THE IMPERIAL NAVAL AIR FORCE

PUBLICITY BUREAU, NAVY DEPARTMENT

With the China affair entering its fourth year, the three arms of the Japanese forces, land, sea and air, are making further advance in China.

The Japanese Naval Air Force, on New Year's Day, conducted large-scale operations against the Chinese troops and military establishments, bombing Nanking, capital of Kwangsi Province and the south bank of the Yangtze River. A row of Chinese military depots was destroyed.

On January 2, Central Hunan Province was visited by naval air-units under Lieutenant-Commander Awano, which raided Paoking (Shaoyang) repeatedly, and Hengyang, destroying the air bases. The Chinese offered no resistance to these aerial attacks.

The same morning, another flight led by Lieutenant-Commander Shimada, visited Southern Hunan Province and accounted for a number of enemy planes.

In North China, our naval air-units on January 2 visited Chingchih-chen, west of Kaomi, along the Shantung Railway, and Siangchow-chen, on the Wei River, acting in concert with the landing party. On January 3 and 7, sustained attacks were made on several enemy bases in Shantung Province.

A surprise attack on Kweilin, capital of Kwangsi Province, was delivered on January 10 and 23 Chinese planes destroyed.

An aerial battle with some 40 Chinese planes took place over Liuchow, after which the air-field at Kweilin was again bombed and nine planes burned.

In South China, the Japanese military and naval forces, in close co-operation, achieved remarkable results ever since the campaign near Pakhoi was opened. Enemy concentrations were attacked and the cutting of the Yunnan Railway, route of the arms supply to the Chungking Government from French Indo-China, became the main objective. Kweilin, Liuchow, Mengtze and other enemy bases likewise received the attention of our airmen.

In this campaign, our naval air force accounted for no less than 55 Chinese planes between December 22 and January 10, thus nullifying the efforts of the Chungking Government to reorganize their air force with Kunming, capital of Yunnan Province, and Mengtze, to the southeast and a strategic point on the Yunnan Railway, as bases. This reorganization had been ordered by Chiang Kai-shek as part of that "winter offensive" which collapsed before our vigorous counter-attacks.

Erratum

Vol. III, No. 7 January, 1940. Page 259

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For "(2).....*china, glass*....."

Read **China grass.**

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Kyoshintei Hotel

GAMAGORI
Gamagori Hotel

GIFU
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GOHRA (Hakone)
Gohra Hotel

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